

U.S. Economic Downturn Brings Significant Declines for Private Equity Investments in 3Q08

Tightened Credit Markets Drive Deal Volume Back to 2006 Levels

NEW YORK (Nov. 11, 2008) – Private equity-focused research firm, PitchBook Data, Inc. (www.pitchbook.com), has published the first comprehensive set of statistics analyzing private equity investment trends. The primary findings indicate the U.S. private equity industry has been clearly affected by the global economic downturn and tightened credit markets. For the first three quarters of 2008, transaction volume for leveraged buyouts and growth capital financings was 1,268, a 34% decline from 1,935 deals over the same period a year ago. Capital invested declined more significantly, dropping by 57% from \$354.5 billion to \$152.3 billion for the same periods.*

Despite the tumultuous U.S. financial markets and private equity's dramatic declines from 2007, the first three quarters of 2008 remained relatively strong compared to historical levels. The amount invested through the third quarter of 2008, \$152.3 billion, was the third highest amount on record, behind the record-breaking 2007 and the \$160 billion invested during the same period in 2006.

The overall median size of private equity deals this year is a more conservative \$66 million, compared to \$76 million in 2007. The median size of leveraged buyout (LBO) deals dropped more significantly, from \$106.5 million in 2007 to \$82 million, a 23% decline.

"There is no disputing that the current economic environment is hindering private equity deal flow as credit for LBOs has become increasingly difficult to secure," said John Gabbert, chief executive officer of PitchBook. "The private equity industry is going through a correction as it returns to pre-bubble transaction levels, valuations and deal terms."

Mega Deals Getting the Dollars, but Smaller Deals Gaining Ground

The majority of private equity capital continued to be allocated toward mega deals with 52% of the capital invested in the first three quarters going towards investments greater than \$2.5 billion; however, such deals represented only 3% of total deal count. Mid-market deals of \$250 million to \$1 billion represented 18% of total deal flow. Returning to pre-2006 trends, lower mid-market deals of \$250 million and below dominated the deal flow levels, accounting for 75% of all transactions, compared to 65% in 2007. Prior to 2005, more than 80% of private equity deals were of this size.

The types of private equity financings that are being completed are also undergoing a transformation. While LBOs remain the industry stronghold, representing 74% of the completed deals in 2008, they have declined somewhat since 2007 when they represented 81%. Meanwhile, growth financings have crept up from 11% of deals in 2007 to 16% in 2008. Add-on acquisitions – deals in which investors acquire related businesses and merge them with existing portfolio companies – have held steady at the historical level of 27% of all private equity transactions to date this year.

B2B Investments Decline but Energy Continues to Draw Interest

Comparing investment activity by sector, PitchBook's analysis showed that Business Products and Services (B2B) companies accounted for the largest deal flow with 460 transactions through the first three quarters of the year. Capital invested in these companies, however, decreased the most of any industry, dropping 76% from a year ago to \$20.7 billion.

While the Energy sector represents only a small portion of private equity investment, it benefited from the increased focus on global energy concerns over the past year. This category showed the smallest decline of any industry, dropping just 17% in the number of completed deals with 105 compared to 127 in the same period of 2007. Of note, the Energy Equipment segment saw investment increase 182% for the period.

Consumer Products and Services (B2C) received the most capital by industry with \$63.5 billion invested. Included in the count is the Media segment, which included the \$17.9 billion Clear Channel buyout and the Restaurants, Hotels & Leisure segment, which included the Harrah's Entertainment \$17.1 billion acquisition.

About PitchBook Data, Inc. (www.pitchbook.com)

PitchBook Data, Inc., based in New York and Seattle, is the only private equity-focused research firm that comprehensively covers the full private equity lifecycle. Its flagship PitchBook Platform provides clients with unparalleled information and analysis on over 17,000 private equity deals, 7,500 investors/corporate acquirers, 2,700 professional service providers, 1,500 limited partners and 65,000 industry professionals. Due to its meticulous research process, methodology and focus on hard-to-find private equity deal data, PitchBook's proprietary data platform provides the most complete information on every stage and aspect of a transaction. Catering specifically to the unique needs of private equity professionals, PitchBook offers the tools needed to source deals, establish comparables, network with others in the field, conduct due diligence, and make more informed and efficient investment decisions.

About PitchBook's Research

Through its proprietary research methodology and processes, PitchBook is able to provide the most comprehensive and highest quality data, news, and analysis on the private equity industry. PitchBook tracks companies financed or acquired by private equity firms, from the date of announcement until the company is sold to a corporate acquirer, majority sold via an IPO or ceases operation. PitchBook does not track venture capital or strategic mergers and acquisitions of non-private equity-backed companies. PitchBook's research methodology utilizes multiple processes, including meticulous secondary research, survey research and direct contact with private equity investors, limited partners, service providers and the portfolio companies. www.pitchbook.com/PitchBook_Research.html

Media Contact

Adley Bowden
adley.bowden@pitchbook.com
(206) 357-8509

Or

John Gabbert
Chief Executive Officer
john.gabbert@pitchbook.com
(206) 357-8504

*PitchBook Data's aggregate statistics include financings gathered and validated by its research team for buyouts, private equity growth financings, private equity-backed add-on transactions, recapitalizations, and private placements, among other private equity transaction types. This analysis excludes venture capital financings.